

**Region XII Council of Governments, Inc.**  
**Carroll, Iowa**

**Financial Statements**  
**Independent Auditor's Reports**  
**Supplemental Information**  
**Schedule of Findings & Questioned Costs**  
**June 30, 2014**

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REGION XII COUNCIL OF GOVERNMENTS, INC.  
BOARD OF DIRECTORS AND OFFICERS

<u>Name</u>	<u>Title</u>	<u>County Represented</u>
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Executive Board Members

Marty Danzer	Chairperson	Carroll
Eric Skoog	Vice-Chairperson	Crawford
Jerry Caraher	Secretary	Guthrie
Guy Richardson	Treasurer	Greene
Duane Deist	Board Member	Audubon
Ranell Drake	Board Member	Sac

Policy Council Members

Jay Dee Mendenhall	Board Member	Audubon
Gary VanAernam	Board Member	Audubon
Gene Karstens	Board Member	Audubon
Neil Bock	Board Member	Carroll
Dan Nieland	Board Member	Carroll
Cindy Fay	Board Member	Carroll
Rachel Desy	Board Member	Crawford
Jane Smith	Board Member	Crawford
Loren Schultz	Board Member	Crawford
Jane Heun	Board Member	Greene
Amy Milligan	Board Member	Greene
John Muir	Board Member	Greene
Jerri Christman	Board Member	Guthrie
Luann Waldo	Board Member	Guthrie
Curt Thornberry	Board Member	Guthrie
Morris Boeckman	Board Member	Sac
Joan Godbersen	Board Member	Sac
Elaine Rex	Board Member	Sac

Region XII Council of Governments, Inc. Officers

Richard Hunsaker	Executive Director
Chris Whitaker	Local Assistance Director
Thomas Feldman	Transit Director
Beth Winkquist	Workforce Director
Kathleen Pauli	Fiscal Officer

In January of each year, each member of the County Board of Supervisors shall appoint or reappoint three local elected officials or persons responsible to local elected officials to serve at least one year as their County's representative. One of the three shall be designated Chairperson of that group and shall be designated an officer candidate and member of the Executive Board. The Executive Board shall appoint a fourth member from each county to serve on the policy council.

*John D. Morrow*

Certified Public Accountant

Member  
Iowa  
Society

Certified Public Accountants

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November 12, 2014

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Region XII Council of Governments, Inc.  
Carroll, Iowa

**Report on Financial Statements**

I have audited the accompanying financial statements of Region XII Council of Governments, Inc. (a non-profit corporation), which comprise the statements of financial position as of June 30, 2014, and the related statements of activities, changes in net assets, and cash flows for the year then ended, and the related notes to the financial statements.

**Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

**Auditor's Responsibility**

My responsibility is to express an opinion on these financial statements based on the audit. I conducted the audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

### **Opinion**

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Region XII Council of Governments, Inc. as of June 30, 2014, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Other Matters**

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 7-10 be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. I have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the financial statements, and other knowledge I obtained during my audit of the financial statements. I do not express an opinion or provide any assurance of the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

### **Other Information**

My audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Schedules of Functional Expenses, State, General and Local Administered Program Activity, Federal Program Activity, Western Iowa Transit Programs Activity, Completed Programs and Schedule of Expenditures of Federal Awards as required by U.S. Office of Management and Budget (OMB) Circular A-133, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, I have also issued my report dated November 12, 2014 on my consideration of Region XII Council of Governments, Inc.'s internal control over financial reporting and on my test of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Region XII Council of Governments, Inc.'s internal control over financial reporting and compliance.

REGION XII COUNCIL OF GOVERNMENTS, INC.  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2014

As management of Region XII Council of Governments (COG), Inc., we offer the readers of Region XII COG financial statements this narrative overview and analysis of the financial activities of the commission for the fiscal years ended June 30, 2014. This report is intended to serve as an introduction to Region XII COG's basic financial statements.

Financial Highlights

- The assets of the COG exceeded its liabilities as of June 30, 2014 by \$11,175,980 (net assets). Of this amount, \$3,466,541 represents amounts that are non-spendable, which consist of investments in property, vehicles, and equipment. Funds reserved for housing loans equal \$1,739,134 and the health insurance reserve is \$267,524. The unassigned local net assets equal \$5,702,781.
- The COG's total net assets increased by \$234,721 over the prior year. This increase can be attributed to non-spendable net assets, which made up for losses in other areas, notably loss in capital value through depreciation.
- Revenues were \$5,143,802 which is \$269,503 more than the costs/expenses.
- The total cost of programs decreased by \$1,083,386, primarily due to decreases in grants & awards funding. Revenues decreased \$632,607, primarily due to decrease in grants and awards funding.
- The COG decreased its long-term debt by retiring obligations to the DOT for transit capital projects.
- The assets of the COG do not include assets assigned to its subsidiary non-profit corporations Council of Governments Housing, Inc. and the Region XII Development Corporation.

Overview of the Financial Statements

The COG's basic financial statements are comprised of 1) financial statements and 2) notes to the financial statements. In addition, other supplementary information to the basic financial statements is provided.

The financial statements include a *Statement of Financial Position, Statement of Activities, Statement of Changes in Net Assets, and Statement of Cash Flows*. These statements present information of the COG's finances in a manner similar to governmental activities. The activities are consolidated and present the operations as a whole.

The *Statement of Financial Position* presents information on all of the COG's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in the COG's net assets may be an indicator of whether its financial position is improving or declining, respectively. The past 20 years have witnessed steady growth of net assets.

REGION XII COUNCIL OF GOVERNMENTS, INC.  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2014

The *Statement of Activities and Statement of Changes in Net Assets* present information showing how the COG's net assets changed during the year. This statement reports the cost of activities and how those costs were recovered for the fiscal year.

The *Statement of Cash Flows* presents information on the cash flow of the COG during the fiscal year. This information can assist the user of the report in determining how the COG financed its activities and how it met its cash requirements.

Notes to the financial statements

The notes to the financial statements provide additional information that is essential to the full understanding of the data provided in the financial statements. The notes to the financial statements are found on pages 16-23. Schedules of revenues and expenses may be found on pages 25-31.

Financial Analysis of the COG's Net Assets

The table below is a summary of the COG's net assets for the year ended June 30, 2014.

NET ASSETS		
	2014	2013
Current and other assets	\$ 8,364,277	\$ 7,925,004
Capital Assets	3,466,541	3,724,868
TOTAL ASSETS	<u>11,830,818</u>	<u>11,649,872</u>
Current Liabilities	654,838	693,513
Long-term Liabilities	<u>0</u>	<u>15,100</u>
TOTAL LIABILITIES	654,838	708,613
NET ASSETS:		
Non-spendable	3,466,541	3,724,868
Unassigned net assets	5,702,781	5,130,558
Health insurance reserve	267,524	269,357
Reserve for loans	<u>1,739,134</u>	<u>1,816,476</u>
Total Net Assets	\$ <u>11,175,980</u>	\$ <u>10,941,259</u>

As noted earlier, net assets may serve over time as a useful indicator of the COG's financial position. In the case of the COG, assets exceeded liabilities by \$11,175,980 at the close of the most recent fiscal year.

Approximately 51% of the COG's net assets are categorized as "unassigned net assets," the large majority of which is monies in revolving loan funds, although the COG does have significant general reserves for its planning and transit operations. Just over 31% of the net assets are attributed to capital assets. Just over 15.5% of the net assets are outstanding loans for housing, and the balance is for a small health insurance reserve. The COG records assets using historical cost. If actual cost is not known, an estimated historical cost will be used.



REGION XII COUNCIL OF GOVERNMENTS, INC.  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2014

	<u>2014</u>	<u>2013</u>
Revenues:		
Program Grants and Awards	\$ 2,860,919	\$ 3,738,312
Public Support & Program Funds	988,447	913,773
Elderbridge Agency on Aging	41,000	35,100
United Way	4,500	4,500
Loan Repayments	350,746	320,109
Interest From Loans & Fees	63,329	54,578
Interest From Investments	54,087	51,773
Other Revenues	558,136	359,993
Matching Funds	192,260	261,271
In-Kind Match	30,378	37,000
Total Revenue	<u>5,143,802</u>	<u>5,776,409</u>
Expenses:		
Local Funds	57,059	67,062
Revolving Loan Funds	321,247	501,475
Community Administered & Support	358,287	171,409
Iowa Waste Exchange	405,336	400,816
Iowa Workforce Development	54,007	30,978
Low Income Housing Tax Credit	0	10,566
Western Iowa Advantage	68,169	68,586
Economic Development Planning	109,800	122,000
Hazard Mitigation Grants	26,986	76,258
Community Development Block Grants	873,524	1,110,881
HOME Investment Partnership	48,550	593,373
Workforce Investment Act-Title I & SWA	168,011	368,626
Electrolux-National Emergency Grant	0	130,650
Promise Jobs	0	18,368
Community Partnerships for Protecting Children	50,054	0
Rural Transit Systems	1,905,438	1,780,652
Regional Transportation Planning	125,111	155,285
Safe Route to School	0	509
Depreciation	302,720	350,191
Total Expenses	<u>4,874,299</u>	<u>5,957,685</u>
Revenue over expenses	\$ <u><u>269,503</u></u>	\$ ( <u><u>181,276</u></u> )

The COG's total revenues decreased 11.5% to \$5,143,802. The most dramatic difference was the drop in Program Grants & Awards, attributed to decreasing activity in housing programs for which the COG served as subrecipient. This decrease was nearly 38% and represented \$617,499 of the difference. Public Support & Program funds made up the bulk of the remaining loss. The total cost of all programs/services decreased by \$1,083,386 or 18%. The COG's expenses are predominantly related to providing services such as public transit, workforce development, housing, planning, grant administration, or technical assistance to the COG's members.

REGION XII COUNCIL OF GOVERNMENTS, INC.  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2014

Capital Assets

By the end of the 2014 fiscal year, the COG had invested \$3,466,541 in capital assets, net of accumulated depreciation of \$2,431,979. Total depreciation expense for the year was \$302,720. The COG added \$44,393 to its capital assets recorded at actual cost. The COG disposed of several transit vehicles that had minimal value.

Long-term Debt

At the end of the current fiscal year, the COG had total debt outstanding of \$15,100 which is a 50% decrease from the prior year. The debt consists of loans payable to the Iowa Department of Transportation for the purchase of regional transit vehicles and building expansion at the headquarters in Carroll; this loan will be paid in full to a -0- balance this next year. No significant long-term debt is anticipated in coming years with the possible exception of additional DOT Amoco loans for public transit rolling stock.

Economic Factors on the COG's Future

At the time these financial statements were prepared and audited, the COG was aware of several key factors that may have an impact upon the COG's future funding levels.

- Local, State and Federal economic conditions are key indicators for resource availability and monitoring these conditions will be prudent for Region XII COG and its future success in regional service delivery.
- Health insurance costs continue to rise with current rates projected to increase 4% for FY 2015.
- Funding decreases in certain federal programs, such as the Workforce Investment Act, and the State of Iowa's response to these decreases may render services at the COG level impractical or impossible. The loss of Promise Jobs in FY2011 resulted in less employees; the COG has begun a strategic management partnership with SDR13 in Council Bluffs which may or may not lead to similar arrangements.
- Consolidation of services as a result of decreased funding at the local and state level may provide opportunities for the COG to provide services in areas not currently provided.
- Changing priorities in housing will require the COG to adjust its approach and offerings.
- Region XII COG has three facilities on which it has little debt as these were paid through grants or self-financing. The COG is therefore able to adjust its debt servicing to meet budget demands.
- The COG is a member of the Iowa Association of Regional Councils and is providing new lines of business in consortium with its sister organizations statewide.
- The COG has five associate members in Dallas County. A move to re-form a central Iowa COG may require the COG to either court the entire county and expand its boundaries or cede these six cities to the new organization.

Contacting the Agency's Financial Management

This financial report is designed to provide a general overview of the COG's finances for all interested parties. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Executive Director, Region XII COG, Inc., 1009 E Anthony St, PO Box 768, Carroll, Iowa 51401.

## FINANCIAL STATEMENTS

REGION XII COUNCIL OF GOVERNMENTS, INC.  
STATEMENT OF FINANCIAL POSITION  
FOR YEAR ENDED JUNE 30, 2014

	<u>2014</u>
ASSETS	
CURRENT ASSETS	
Cash and investments	\$ 5,927,323
Receivables:	
Grantor agencies	441,601
Other sources	122,331
Affiliated organizations	1,065
Prepaid expense	132,823
Accrued interest receivable	72,466
Current portion of housing loans	<u>285,000</u>
Total Current Assets	6,982,609
PROPERTY AND EQUIPMENT	
Land & building	3,291,104
Vehicles	2,243,197
Office equipment	<u>364,219</u>
	5,898,520
Less accumulated depreciation	( <u>2,431,979</u> )
	<u>3,466,541</u>
OTHER ASSETS	
Housing program loans	1,739,134
Less current portion of loans	( <u>357,466</u> )
	1,381,668
 TOTAL ASSETS	 <u><u>\$11,830,818</u></u>
 LIABILITIES AND NET ASSETS	
CURRENT LIABILITIES	
Accounts payable	\$ 267,161
Notes payable	179,300
Current portion of long-term debt	15,100
Accrued payroll and benefits	86,182
Accrued annual leave payable	<u>107,095</u>
Total Current Liabilities	654,838
LONG TERM LIABILITIES	
Note payable	0
NET ASSETS	
Unassigned net assets	5,702,781
Health insurance reserve	267,524
Investment in property, vehicles and equipment	<u>3,466,541</u>
Reserve for loans	<u>1,739,134</u>
	<u>11,175,980</u>
 TOTAL LIABILITIES AND NET ASSETS	 \$ <u><u>11,830,818</u></u>

See accompanying Notes to Financial Statements.

REGION XII COUNCIL OF GOVERNMENTS, INC.  
STATEMENT OF ACTIVITIES  
FOR YEAR ENDED JUNE 30, 2014

	<u>2014</u>
Revenues:	
Program Grants and Awards	\$ 2,860,919
Public Support & Program Funds	988,447
Elderbridge Agency on Aging	41,000
United Way	4,500
Loan Repayments	350,746
Interest From Loans & Fees	63,329
Interest From Investments	54,087
Other Revenues	558,136
Matching Funds	192,260
In-Kind Match	30,378
Total Revenue	<u>5,143,802</u>
Expenses:	
Local Funds	57,059
Revolving Loan Funds	321,247
Community Administered & Support	358,287
Iowa Waste Exchange	405,336
Iowa Workforce Development	54,007
Western Iowa Advantage	68,169
Economic Development Planning	109,800
Hazard Mitigation Grants	26,986
Community Development Block Grants	873,524
HOME Investment Partnership	48,550
Workforce Investment Act-Title I & SWA	168,011
Community Partnerships for Protecting Children	50,054
Rural Transit Systems	1,905,438
Regional Transportation Planning	125,111
Depreciation	302,720
Total Expenses	<u>4,874,299</u>
Revenue over expenses	\$ <u>269,503</u>

See accompanying Notes to Financial Statements.

REGION XII COUNCIL OF GOVERNMENTS, INC.  
STATEMENT OF CHANGES IN NET ASSETS  
FOR YEAR ENDED JUNE 30, 2014

	<u>2014</u>
Program revenues over expenses	\$ 269,503
(Decrease) in Self Insurance- "Health Insurance Reserve"	( 1,833)
Investment in plant, vehicles, & equipment	44,393
(Decrease) in "Reserve for Loans"	( <u>77,342</u> )
Total Change in net assets	234,721
Net Assets-Beginning of Year	<u>10,941,259</u>
Net Assets-End of Year	\$ <u><u>11,175,980</u></u>

See accompanying Notes to Financial Statements.

REGION XII COUNCIL OF GOVERNMENTS, INC.  
STATEMENT OF CASH FLOWS  
FOR YEAR ENDED JUNE 30, 2014

	<u>2014</u>
Resources Provided (Used) By:	
Cash Flow from Operating Activities:	
Revenue over expenses	\$ 269,503
Items not requiring outlays of cash:	
Depreciation	302,720
Change in Operating Assets & Liabilities:	
Accounts receivable	130,361
Prepaid expenses	( 6,451)
Accounts payable	( 44,208)
Accrual payroll and benefits	( 1,027)
Accrual annual leave	<u>1,360</u>
	<u>652,258</u>
Cash Flow From Investing Activities:	
Self insurance - health insurance reserve	( <u>1,833</u> )
Cash Flow From Financing Activities:	
Borrowing - short term notes	341,600
Payments - short term notes	( 336,400)
Payments - long term notes	( <u>15,100</u> )
	( <u>9,900</u> )
Net Increase in Cash	640,525
Cash, Beginning of Year	<u>5,286,798</u>
Cash, End of Year	\$ <u><u>5,927,323</u></u>

Interest Expense - Cash Basis	\$ <u><u>6,579</u></u>
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See accompanying Notes to Financial Statements.

REGION XII COUNCIL OF GOVERNMENTS, INC.  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014

Note 1 Nature of Activities and Significant Accounting Policies

A. Nature of Activities

Region XII Council of Governments, Inc. (COG) entered into a 28E agreement to service the Iowa counties of Audubon, Carroll, Crawford, Greene, Guthrie, and Sac.

The purposes for which the COG was organized are to provide joint services and facilities with other agencies to promote and assist the economic development of business concerns through growth and development and aid in development opportunities to the region, thereby increasing employment, business volume, and business payrolls. To accomplish these purposes, the COG has all the powers enumerated in the Iowa Non-Profit Corporation Act, Chapter 504 of the Code of Iowa and is certified in good standing with the Iowa Secretary of State. These powers are limited to the definitions and purposes encompassed by Section 501(c)(3), of the Internal Revenue Code. In addition, the COG has the power and duty to make comprehensive studies and plans for the development of the area it serves, to eliminate planning duplication, to promote governmental economy and efficiency, and to otherwise guide the unified development of the area.

Region XII Council of Governments, Inc. is the designated administrative agency, fiscal agent, and coordinating service provider for the Workforce Investment Act (WIA) in Iowa Workforce Development (IWD) Region 8. Region 8 includes the Iowa counties of Audubon, Carroll, Crawford, Greene, Guthrie, and Sac. The cities of Perry, Redfield, Minburn, and Linden, are associate members of the COG. Region XII COG, Inc.'s Executive Board has the responsibility for all records which are included in these financial statements.

Region XII Council of Governments, Inc. owns and operates the Western Iowa Transit. This rural transit system provides transit services to senior citizens, persons with disabilities, preschool and school aged students, and the general public. Western Iowa Transit operates in Audubon, Carroll, Crawford, Greene, Guthrie, and Sac counties and is recognized by the Department of Transportation as the regional transit organization. The mission of Western Iowa Transit is to provide safe, dependable, and efficient public transit services for all citizens within its service area in a manner which will help them maintain and improve their quality of life.

Region XII Council of Governments, Inc. serves as the Regional Planning Affiliation (RPA) for the counties of Audubon, Carroll, Crawford, Greene, Guthrie, and Sac. As the RPA, the COG prepares all planning documents pursuant to transportation planning in the region, including the programming of regional federal funds for transportation. The COG is advised by a Transportation Advisory



REGION XII COUNCIL OF GOVERNMENTS, INC.  
NOTES TO FINANCIAL STATEMENTS (continued)  
JUNE 30, 2014

Note 1. Nature of Activities and Significant Accounting Policies (continued)

A. Nature of Activities (continued)

Committee on all planning documents. Final decisions on these documents are made by the Policy Council of Region XII Council of Governments, Inc.

Region XII Council of Governments, Inc. assists the communities and counties in identifying housing needs. Once needs are identified, the organization will work with the necessary partners to achieve those goals. Examples of programs include various housing rehabilitation programs, down payment assistance, rental projects, new construction, development of lots for sale, and lead base paint & inspection services.

The organization is dependent on continued funding by Federal, State and local governmental bodies to provide the programs necessary to support the services and objectives set out above.

B. Significant Accounting Policies

Program Fund Accounting - To ensure observance of limitations and restrictions placed on the use of resources available to Region XII Council of Governments, Inc., the accounts of the organization are maintained in accordance with the principles of fund accounting. This is the procedure by which resources for various purposes are classified for accounting and reporting purposes into program funds established according to their nature and purposes. Separate accounts are maintained for each program fund. However, in the accompanying financial statements, programs that have similar characteristics have been combined into program groups. Accordingly, all financial transactions have been recorded and reported by program group.

Basis of Accounting - Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied. The accompanying financial statements have been prepared on the accrual basis of accounting in conformity with U.S. generally accepted accounting principles. Grant or contract revenue is recognized when earned. The grants and contracts are written on an expense reimbursement basis and accordingly, grant or contract revenue is earned when allowable program expenses are incurred. Expenses are recorded when the liability is incurred. Disbursements for the purchase of property and equipment which provide future benefits are recorded as expenses in the program at the time of purchase. Any property and equipment capitalized is presented in the Statement of Net Assets.

REGION XII COUNCIL OF GOVERNMENTS, INC.  
NOTES TO FINANCIAL STATEMENTS (continued)  
JUNE 30, 2014

Note 1 Nature of Activities and Significant Accounting Policies (continued)

B. Significant Accounting Policies (continued)

Basis of Presentation - Net assets and revenues, and expenses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the COG and changes therein are classified and reported as follows:

Unassigned net assets - Net assets that are not subject to donor-imposed stipulations.

Revenues are reported as increases in unassigned net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unassigned net assets.

Assets, Liabilities and Net Assets - The following accounting policies are followed in preparing the combined statement of financial position.

Cash and Investments - Cash includes amounts in demand deposits, money market funds, and certificates of deposit.

Program Funds and Accounts Receivable - Reimbursement procedures used for grants and contracts may result in timing differences between program reimbursements and expenses as of the beginning and end of the year. Program funds and accounts receivable include amounts due to the COG but not received at year end.

Allowance for Doubtful Accounts - The direct write-off method is used to account for uncollectible housing and business loans. There is no provision for bad debts since all receivables and loans are considered to be collectible.

Receivables and Payables from Affiliated Organizations - During the course of operations, numerous transactions occur between individual funds and affiliated organizations for goods provided or services rendered. To the extent that certain transactions between funds and affiliated organizations have been paid or received as of June 30, 2014, balances of inter-fund amounts have been recorded.

Property, Vehicles, and Equipment - Property, vehicles, and equipment are valued at historical cost. Property, vehicles, and equipment are recorded as expenses in the fund purchasing the asset. The purchases are then capitalized accumulating the net investment in property, vehicles, and equipment. Depreciation has

REGION XII COUNCIL OF GOVERNMENTS, INC.  
NOTES TO FINANCIAL STATEMENTS (continued)  
JUNE 30, 2014

Note 1. Nature of Activities and Significant Accounting Policies (continued)

B. Significant Accounting Policies (continued)

Property, Vehicles, and Equipment (continued)

been provided using the straight-line method over the estimated useful lives of the respective assets, generally 50 years for real property and 5 to 10 years for vehicles and equipment. The depreciated cost of the property, vehicles, and equipment does not purport to be either a realizable value or a replacement value. Expenses for maintenance, repairs, and minor replacements are charged to the current year, while the cost for major replacements and betterments are capitalized. The cost of assets disposed is deleted.

Annual Leave - Employees of Region XII Council of Governments, Inc. accumulate a limited amount of earned but unused annual leave payable to employees. Amounts representing the cost of annual leave expected to be liquidated currently are recorded as liabilities. This liability has been computed based on current rates of pay.

Cost Allocation - The organizations have adopted a cost allocation plan to allocate joint costs to the various programs. Any cost which cannot be assigned directly to a program is allocated based upon the ratio of direct labor hours worked for the respective program, square feet of space used, gross wages for direct program costs, or other reasonable methods of allocation. The cost allocation plan is approved by the COG's federal cognizant agency.

Budgetary Accounting - The organizations are not required by statute to use budgetary accounting. Therefore, no budgetary information is included in these financial statements.

Income Taxes - Region XII Council of Governments, Inc. is exempt from Federal income taxes under provisions of Internal Revenue Code Section 501(c)(3).

The organization does file Form 990, Return of Organization Exempt From Income Tax in the U.S. federal jurisdiction. The organization is no longer subject to the U.S. federal income tax examinations by tax authorities for tax years before 2011.

Use of Estimates

The preparation of financial statements in conformity with U. S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from amounts estimated. These estimates involve useful lives for depreciation of assets, allowance for doubtful accounts, loss contingencies, and other estimating techniques as may be required to record effects of future events.

REGION XII COUNCIL OF GOVERNMENTS, INC.  
NOTES TO FINANCIAL STATEMENTS (continued)  
JUNE 30, 2014

Note 2 Support From Governmental Units

Region XII Council of Governments, Inc. receives substantially all of its support from Federal, State, and local governments. A significant reduction in the level of this support, if this were to occur, would have a significant effect on the COG's programs and activities.

Note 3 Leases

Region XII Council of Governments, Inc. sub-leases office facilities from the Iowa Workforce Development under a lease agreement which began October 1, 2011, and expires December 31, 2016.

Region XII Council of Governments, Inc. is obligated under other lease agreements accounted for as operating leases for equipment. In the event insufficient program funding occurs, these leases may be prematurely terminated with appropriate notice.

Note 4 Pension and Retirement Benefits

The Region XII Council of Governments, Inc. contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa 50306.

Plan members are required to contribute 5.95% of their annual covered salary and the Region XII Council of Governments, Inc. is required to contribute 8.93% of annual covered payroll. Contribution requirements are established by State statute. Region XII Council of Government's contributions to IPERS for the year ended June 30, 2014 was \$133,900, equal to the employer required contributions for the year. The total contribution to IPERS for the year ended June 30, 2014 was \$223,118.

Note 5 Contingent Liability - Medical Leave

Region XII Council of Governments, Inc.'s full time and part time employees accumulate medical leave hours for subsequent use. No compensation is made for accrued medical leave at time of separation and these accumulations are not recognized as expenses until used. The organization's approximate maximum liability for unrecognized medical leave benefits as of June 30, 2014 was \$216,133. The maximum allowable medical leave may accumulate to 90 days. An employee that has been employed at least 10 years may elect to convert 10 days of medical leave into annual leave. Two days of medical leave earned is then equal to one day of annual leave.

REGION XII COUNCIL OF GOVERNMENTS, INC.  
NOTES TO FINANCIAL STATEMENTS (continued)  
JUNE 30, 2014

Note 6 Organization Risk Management

Region XII Council of Governments, Inc. is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

These risks are covered by the purchase of commercial insurance. The organization assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Note 7 Total Deposit Accounts Exceeding Insured Depository Limits

Region XII Council of Governments, Inc. maintains its checking, savings, and certificate of deposit accounts in various financial institutions. These financial institutions classify these deposits as public funds and are subject to the guidelines referred to in Chapter 12C of the Code of Iowa.

As of the fiscal year end, the organization held public funds totaling:

	<u>June 30, 2014</u>
Financial institution balance	\$6,228,165

NOTE 8 Subsequent Events

Through the date the financial statements were available to be issued, management evaluated subsequent events.

Note 9 Uncertain Tax Positions

Region XII Council of Governments, Inc.'s management is not aware of possible tax positions taken by the organization which would be viewed as contrary to tax positions taken by the Internal Revenue Service.

REGION XII COUNCIL OF GOVERNMENTS, INC.  
NOTES TO FINANCIAL STATEMENTS (continued)  
JUNE 30, 2014

Note 10 Property, Vehicles, and Equipment

A summary of property, vehicles, equipment, and the components of accumulated depreciation, are as follows:

FISCAL YEAR END June 30, 2014

<u>Property &amp; Equip.</u>	<u>Buildings</u>	<u>Vehicles</u>	<u>Equipment</u>	<u>Total</u>
Beginning of year \$	3,291,104	\$ 2,308,058	\$ 387,021	\$ 5,986,183
Additions	0	41,568	2,825	44,393
Disposals	0	( 106,429)	( 25,627)	( 132,056)
End of year	\$ <u>3,291,104</u>	\$ <u>2,243,197</u>	\$ <u>364,219</u>	\$ <u>5,898,520</u>

<u>Accumulated Depr.</u>	<u>Buildings</u>	<u>Vehicles</u>	<u>Equipment</u>	<u>Total</u>
Beginning of year \$	465,092	\$ 1,574,323	\$ 221,900	\$ 2,261,315
Current deprec.	49,796	201,079	51,845	302,720
Disposal of assets	0	( 106,429)	( 25,627)	( 132,056)
End of year	\$ <u>514,888</u>	\$ <u>1,668,973</u>	\$ <u>248,118</u>	\$ <u>2,431,979</u>

Note 11 Housing Loans Receivable

Region XII Council of Governments, Inc. accounts for grant proceeds as revenue. Principal and interest payments received are accounted for as other program revenues when received. Loans and grants paid to families are treated as expenses at the time the loan is made to accommodate the required reporting format on quarterly reports.

Region XII Council of Governments, Inc. administers Community Development Block Grants (CDBG) for various cities within Region XII. The Region XII Council of Governments, Inc. also administers HOME grants for itself and various cities.

REGION XII COUNCIL OF GOVERNMENTS, INC.  
NOTES TO FINANCIAL STATEMENTS (continued)  
JUNE 30, 2014

Note 11 Housing Loans Receivable (continued)

The balance of all loans is reflected as other assets on the combined statement of financial position. A summary of activity is as follows:

FISCAL YEAR June 30, 2014

	<u>Beginning Balance</u>	<u>Payments Received</u>	<u>Write- Offs</u>	<u>Accrued Interest &amp; New Loans</u>	<u>Ending Balance</u>
General Housing \$	872,363	\$ 108,668	\$ 28,884	\$ ( 14,516)	\$ 720,295
HPL Loans	530,966	75,110	4,150	165,844	617,550
LHAP Loans	40,156	38,840	0	29,908	31,224
HIRE Loans	262,279	57,292	0	60,149	265,136
HWWS Loans	<u>110,712</u>	<u>5,779</u>	<u>0</u>	<u>( 4)</u>	<u>104,929</u>
	\$ <u>1,816,476</u>	\$ <u>285,689</u>	\$ <u>33,034</u>	\$ <u>241,381</u>	\$ <u>1,739,134</u>

Note 12 Long Term Notes Payable

The long term notes payable and classification are as follows:  
2014

Region XII Council of Governments, Inc., has entered into an Amoco Loan Agreement with the Iowa Department of Transportation.	\$ 15,100
Current Portion of Long Term Debt	( <u>15,100</u> )
Long Term Portion	\$ <u><u>0</u></u>

## SUPPLEMENTAL INFORMATION



REGION XII COUNCIL OF GOVERNMENTS, INC.  
 SCHEDULE OF FUNCTIONAL EXPENSES  
 YEAR ENDED JUNE 30, 2014

Salaries & wages	\$ 797,537
Employee benefits	268,168
Advertising & marketing	26,238
Accounting & legal	17,999
Insurance	15,185
Contracted services	58,870
Fees, dues & subscriptions	10,884
Rent	72,462
Communications	36,654
Travel	69,235
Office expense	65,124
Facility expenses	36,926
Board expense	5,220
Drivers' wages & benefits	877,083
Vehicle fuel & other costs	366,736
Vehicle insurance	82,581
Purchased services	140,037
Participant loans & grants	1,359,156
Acquisition/Demolition	48,692
Capital expenditures	62,042
Interest	6,539
Matching funds expended	117,833
In-kind Match expenditures	30,378
Depreciation	<u>302,720</u>
Total Expenses	\$ <u>4,874,299</u>

See accompanying Notes to Financial Statements.

REGION XII COUNCIL OF GOVERNMENTS, INC.  
SCHEDULES OF REVENUES AND EXPENSES  
SCHEDULES OF STATE, GENERAL, AND LOCAL ADMINISTERED PROGRAMS ACTIVITY  
FOR YEAR ENDED JUNE 30, 2014

	<u>Local Funds</u>	<u>Revolving Loan Funds</u>	<u>Community Administered &amp; Support Programs</u>
Revenues:			
Governmental Funding Source:			
State funds	\$ 0	\$ 0	\$ 39,229
Program funds	0	0	0
Loan repayments	0	350,746	0
Interest on loans	0	63,329	0
Interest on investments	9,817	35,580	0
Other revenue	235,684	5,388	258,973
Matching funds	0	17,534	6,988
Total revenues	<u>245,501</u>	<u>472,577</u>	<u>305,190</u>
Expenses:			
Salary & wages	440	50,481	57,634
Employee benefits	108	16,772	20,159
Advertising & marketing	600	3	8
Accounting & legal	252	1,779	407
Insurance	0	1,077	681
Contracted services	0	1,082	1,424
Fees, dues & subscriptions	0	226	136
Rent	0	3,852	1,616
Communications	0	875	321
Travel	2,091	6,878	2,540
Office expense	2,796	5,643	1,872
Facility expenses	23	3,012	1,187
Board expense	32	77	50
Vehicle expense	14,906	0	0
Participant loans & grants	0	208,449	227,002
Matching funds & transfers	35,811	21,041	43,250
Total expenses	<u>57,059</u>	<u>321,247</u>	<u>358,287</u>
Revenue over (under) expenses	188,442	151,330	( 53,097)
Beginning of year	<u>881,927</u>	<u>3,495,062</u>	<u>1,159</u>
End of Year-Net Assets	<u>\$1,070,369</u>	<u>\$3,646,392</u>	<u>\$ ( 51,938)</u>

See accompanying Independent Auditor's Report.

Schedule 2

Iowa Waste Exchange <u>Programs</u>	Iowa Workforce Development <u>Programs</u>	Western Iowa Advantage <u>Partners</u>
\$ 405,158	\$ 0	\$ 0
0	0	0
0	0	0
0	0	0
0	0	1,770
0	53,956	130
178	51	67,639
<u>405,336</u>	<u>54,007</u>	<u>69,539</u>
97,539	33,262	749
33,689	9,592	172
5,233	1	6,880
1,317	102	226
2,092	13	19
244,796	22	51,664
775	36	5
3,848	289	70
653	23	15
7,605	10,586	543
4,517	52	30
3,093	16	56
179	13	90
0	0	0
0	0	0
0	0	7,650
<u>405,336</u>	<u>54,007</u>	<u>68,169</u>
0	0	1,370
<u>0</u>	<u>0</u>	<u>169,766</u>
\$ <u><u>0</u></u>	\$ <u><u>0</u></u>	\$ <u><u>171,136</u></u>

REGION XII COUNCIL OF GOVERNMENTS, INC.  
SCHEDULES OF REVENUES AND EXPENSES  
SCHEDULES OF FEDERAL PROGRAMS ACTIVITY  
FOR YEAR ENDED JUNE 30, 2014

	Economic Development Planning <u>Grant</u>	Hazard Mitigation <u>Grants</u>	Community Development Block <u>Grants</u>
Revenues:			
Governmental Funding Sources:			
Department of Agriculture	\$ 0	\$ 0	\$ 0
Department of Commerce	54,900	0	0
Department of Housing & Urban Development	0	0	866,864
Department of Labor	0	0	0
Department of Health & Human Services	0	0	0
Department of Transportation	0	0	0
Department of Homeland Security	0	13,465	0
Matching Funds	24,522	175	28,733
In-Kind Match	30,378	0	0
Interest income-bank	0	0	0
Total Revenues	<u>109,800</u>	<u>13,640</u>	<u>895,597</u>
Expenses:			
Salaries & wages	49,115	17,573	121,239
Employee benefits	14,343	4,947	45,761
Advertising & marketing	44	9	24
Accounting & legal	279	249	3,573
Insurance	1,047	350	2,573
Contracted services	106	16	1,896
Fees, dues & subscriptions	199	141	466
Rent	3,757	1,299	9,321
Communications	1,118	204	1,662
Travel	3,882	541	9,622
Office expense	2,625	733	8,146
Facility expenses	2,821	887	7,125
Board expense	86	37	174
Participant loans & grants	0	0	607,651
Acquisition/Demolition	0	0	48,692
Interest	0	0	5,599
Matching Funds Expenses	0	0	0
In-Kind expense	30,378	0	0
Total expenses	<u>109,800</u>	<u>26,986</u>	<u>873,524</u>
Program revenues over (under) expense	0	(13,346)	22,073
Beginning of Year	<u>0</u>	<u>(18,286)</u>	<u>1,361</u>
End of Year-Net Assets	\$ <u>0</u>	\$ <u>(31,632)</u>	\$ <u>23,434</u>

See accompanying Independent Auditor's Report.

Schedule 3

HOME Investment Partnership <u>Program</u>	WIA Title I & SWA	Community Partnerships For Protecting <u>Children</u>
\$ 0	\$ 0	\$ 0
0	0	50,000
129,870	0	0
0	168,011	0
0	0	0
0	0	0
0	0	0
4,073	0	54
0	0	0
0	0	0
<u>133,943</u>	<u>168,011</u>	<u>50,054</u>
5,678	92,275	1,319
1,941	38,723	339
0	781	1
1,801	1,676	0
101	2,831	29
729	72	95
43	1,335	17
62	10,507	106
70	2,031	14
366	4,164	2,203
476	11,508	6,862
448	266	74
8	1,842	2
35,587	0	35,810
0	0	0
940	0	0
0	0	3,183
0	0	0
<u>48,550</u>	<u>168,011</u>	\$ <u>50,054</u>
85,393	0	0
( 91,136)	0	0
\$ ( <u>5,743</u> )	\$ <u>0</u>	\$ <u>0</u>

REGION XII COUNCIL OF GOVERNMENTS, INC.  
SCHEDULES OF REVENUE AND EXPENSES  
SCHEDULES OF WESTERN IOWA TRANSIT PROGRAMS ACTIVITY  
FOR YEAR ENDED JUNE 30, 2014

	<u>Rural Transit Operating</u>	<u>Rural Transit Capital</u>
Revenue:		
Governmental Funding Source:		
Federal-Dept. of Transportation	\$ 606,171	\$ 45,138
Iowa Dept. of Transportation	382,411	0
Elderbridge Agency	41,000	0
United way	4,500	0
Public support & contribution	988,447	0
Capital & other matching funds	0	16,904
Interest from investments	6,920	0
Fuel tax refund	509	0
Other local	3,496	0
Total Revenues	<u>2,033,454</u>	<u>62,042</u>
Expenses:		
Salaries & wages	193,789	0
Employee benefits	58,292	0
Advertising & marketing	12,601	0
Accounting & legal	5,828	0
Insurance	2,778	0
Contracted services	1,522	0
Fees, dues & subscriptions	7,305	0
Rent	31,650	0
Communications	27,772	0
Travel	13,860	0
Office expense	14,488	0
Facility expenses	12,847	0
Board expense	2,235	0
Drivers' wages & benefits	877,083	0
Vehicle fuel & other costs	351,830	0
Vehicle insurance	82,581	0
Purchased services	140,037	0
Capital purchases	0	62,042
Matching funds	6,898	0
Total Expenses	<u>1,843,396</u>	<u>62,042</u>
Revenue over (under) expenses	190,058	0
Beginning of year-net assets	<u>690,704</u>	<u>0</u>
End of Year-Net assets	\$ <u><u>880,762</u></u>	\$ <u><u>0</u></u>

See accompanying Independent Auditor's Report.

Regional Transportation Planning		
Agreement Number 14RPA-12		
<u>FHWA SPR</u>	<u>FTA</u>	<u>FHWA (STP)</u>
\$ 24,997	\$ 24,997	\$ 49,708
0	0	0
0	0	0
0	0	0
0	0	0
6,345	6,634	12,430
0	0	0
0	0	0
0	0	0
<u>31,342</u>	<u>31,631</u>	<u>62,138</u>
19,537	19,752	37,155
6,068	6,352	10,910
18	5	30
100	103	307
474	374	746
17	20	66
74	40	86
1,744	1,350	2,691
279	222	1,395
832	1,106	2,416
859	950	3,567
1,266	1,330	2,475
74	27	294
0	0	0
0	0	0
0	0	0
0	0	0
0	0	0
0	0	0
<u>31,342</u>	<u>31,631</u>	<u>62,138</u>
0	0	0
<u>0</u>	<u>0</u>	<u>0</u>
\$ <u><u>0</u></u>	\$ <u><u>0</u></u>	\$ <u><u>0</u></u>

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SCHEDULES OF REVENUE AND EXPENSES FOR COMPLETED CONTRACTS

REGION XII COUNCIL OF GOVERNMENTS, INC.  
SCHEDULES OF REVENUES AND EXPENSES  
COMPLETED PROGRAMS  
FOR THE YEAR ENDED JUNE 30, 2014

	COMMUNITY DEVELOPMENT BLOCK GRANT				
Program Number	10-WS-046 City of <u>Minburn</u> 4/1/10- 6/30/14	12-DTR-008 City of <u>Manning</u> 6/20/12- 5/31/14	11-WS-035 City of <u>Lidderdale</u> 7/1/11- 6/30/14	11-WS-061 City of <u>Wall Lake</u> 11/7/11- 5/31/14	11-HSG-027 City of <u>Jefferson</u> 7/23/09- 6/30/14
Grant or Program Period					
Revenues:					
Governmental Funding Sources:					
Department of Housing & Urban Development	\$ 20,000	\$ 20 000	\$ 14,280	\$ 12,000	\$ 707,589
Department of Labor	0	0	0	0	0
Matching Funds	0	0	0	0	170,742
Total Revenues	<u>20,000</u>	<u>20,000</u>	<u>14,280</u>	<u>12,000</u>	<u>878,331</u>
Expenses:					
Salaries & wages	11,708	12,346	8,780	7,436	42,684
Employee benefits	5,201	3,969	3,068	2,502	14,458
Advertising & marketing	18	7	7	3	225
Accounting & legal	58	43	42	50	2,361
Insurance	184	226	146	107	618
Contracted services	25	15	15	11	1,629
Fees, dues & subscriptions	80	79	29	12	238
Postage	55	34	26	26	901
Rent	943	1,066	801	702	3,573
Communications	94	122	86	65	568
Travel	288	637	301	274	2,532
Office expense	461	573	339	230	1,177
Equipment expenses	193	147	132	138	1,149
Facility expenses	639	689	475	410	2,211
Board expense	53	47	33	34	191
Participant loans & grants	0	0	0	0	287,361
Acquisition /Demolition	0	0	0	0	508,089
Interest	0	0	0	0	8,366
Participant support	0	0	0	0	0
Total expenses	<u>20,000</u>	<u>20,000</u>	<u>14,280</u>	<u>12,000</u>	<u>878,331</u>
Net	\$ <u>0</u>	\$ <u>0</u>	\$ <u>0</u>	\$ <u>0</u>	\$ <u>0</u>

See accompanying Independent Auditor's Report.

## Schedule 5

CDBG Cont'd		HOME		HAZARD MITIGATION		13-W-08-FR-0
11-HSG-041	08-NSP-008	10-HM-11565	11-HM-306	DR-1763-	DR-1763-	WORK FORCE
City of	City of	City of	Region XII	0181-01	0179-01	INVESTMENT
<u>Odebolt</u>	<u>Guthrie Center</u>	<u>Carroll</u>	<u>COG</u>	<u>Crawford</u>	<u>Audubon</u>	<u>ACT TITLE I</u>
<u>9/1/11-</u>	<u>7/27/09-</u>	<u>8/23/10-</u>	<u>8/15/11-</u>	<u>1/1/11-</u>	<u>1/1/11-</u>	<u>7/1/12-</u>
<u>6/30/14</u>	<u>6/30/14</u>	<u>9/30/14</u>	<u>4/30/14</u>	<u>6/30/14</u>	<u>6/30/14</u>	<u>6/30/14</u>
\$ 295,546	\$ 526,815	\$ 631,350	\$ 595,854	\$ 34,000	\$ 17,000	\$ 0
0	0	0	0	0	0	171,368
0	68,466	0	40,000	0	0	0
<u>295,546</u>	<u>595,281</u>	<u>631,350</u>	<u>635,854</u>	<u>34,000</u>	<u>17,000</u>	<u>171,368</u>
25,460	32,000	61,125	52,518	20,751	10,396	58,967
10,685	11,519	21,810	21,729	7,258	3,606	19,827
32	129	93	78	12	6	164
1,020	1,646	1,839	2,453	122	65	1,457
371	475	843	802	324	149	1,156
559	985	2,978	1,044	23	22	5
144	372	273	327	154	51	546
441	654	1,416	1,023	76	39	197
2,310	2,737	5,497	4,847	1,881	935	6,895
280	377	736	596	192	89	1,262
1,837	2,750	4,619	5,001	804	469	5,792
367	1,267	1,055	1,342	874	378	7,906
942	1,365	2,420	2,171	256	177	705
1,368	1,517	3,183	2,672	1,147	570	639
135	183	317	330	126	48	1,185
247,781	241,446	518,638	535,311	0	0	0
0	288,592	0	0	0	0	0
1,814	7,267	4,508	3,610	0	0	0
0	0	0	0	0	0	64,665
<u>295,546</u>	<u>595,281</u>	<u>631,350</u>	<u>635,854</u>	<u>34,000</u>	<u>17,000</u>	<u>171,368</u>
\$ <u>0</u>	\$ <u>0</u>	\$ <u>0</u>	\$ <u>0</u>	\$ <u>0</u>	\$ <u>0</u>	\$ <u>0</u>

REGION XII COUNCIL OF GOVERNMENTS, INC.  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 FOR THE YEAR ENDED JUNE 30, 2014

Agency and Office:

Recipient State Agency:

Sub-recipient of State Funds:

Program Title:

<b><u>Federal Direct:</u></b>	<b><u>CFDA #</u></b>	<b><u>Program Or Grant Number</u></b>	<b><u>Total Expenditures</u></b>
<u>Department of Commerce-Economic Development Administration:</u>			
Economic Development Support for			
Planning Organizations	11.302	05-83-05354-01	\$ <u><u>79,422</u></u>

**Federal Indirect:**Department of Housing & Urban Development-Office of Community Planning & Development:Iowa Department of Economic Development:Subrecipient of Cities, Counties, and SWIPCO:

Community Development Block Grants

City of:

Sac City	14.228	13-DTR-010	\$ 4,846
Stuart	14.228	13-DTR-011	2,020
Adel	14.228	13-DTR-009	7,180
Lidderdale	14.228	11-WS-035	3,797
Wall Lake	14.228	11-WS-061	90
Churdan	14.228	13-WS-013	2,302
Minburn	14.228	10-WS-046	1,926
Schleswig	14.228	14-WS-026	217
Kiron	14.228	13-WS-014	3,073
Ralston	14.228	14-WS-027	109
Manning	14.228	12-DTR-008	9,513
Perry-Neighborhood Stabilization	14.228	08-NSP-014	32,234
Redfield-Housing	14.228	10-HSG-025	29,818
Perry-Housing	14.228	11-HSG-043	95,626
Stuart-Housing	14.228	12-HSG-008	194,815
Ricketts-Housing	14.228	13-HSG-013	14,520
Audubon-Housing	14.228	13-HSG-011	18,541
Guthrie Center-Housing	14.228	12-HSG-013	274,041
Boone-Neighborhood Stabilization	14.228	08-NSP-002	1,024
Jefferson-Neighborhood Stabilization	14.228	08-NSP-010	2,126
Odebolt-Housing	14.228	11-HSG-041	40,735
Guthrie Center-Neighborhood Stabil.	14.228	08-NSP-008	184
Ralston-Housing	14.228	13-HSG-019	10,856
Jefferson-Housing	14.228	11-HSG-027	100,198

Comprehensive Planning Program

City of:

Coon Rapids	14.228		15,000
Panora	14.228		10,959
Early	14.228		2,348
			\$ <u><u>878,098</u></u>

Home Investment Partnership Program

City of:

Carroll	14.239	10-HM-115-65	\$ 1,830
Region XII Council of Governments	14.239	11-HM-306	66,215
			<u><u>68,045</u></u>

Total			\$ <u><u>946,143</u></u>
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REGION XII COUNCIL OF GOVERNMENTS, INC.  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)  
FOR THE YEAR ENDED JUNE 30, 2014

Agency and Office:

Recipient State Agency:

Sub-recipient of State Funds:

Program Title:

**Federal Indirect:**

CFDA #

Program  
Or Grant  
Number

Total  
Expenditures

Department of Labor-Employment Training Administration:

Iowa Workforce Development

WIA Adult Program	17.258	13-W-08-FR-0	\$ 34,453
WIA Youth Programs	17.259	13-W-08-FR-0	66,730
WIA State Rapid Response	17.277	13-W-PF-RR-0-02	17,855
WIA Dislocated Worker	17.278	13-W-08-FR-0	<u>48,973</u>
Total			\$ <u><u>168,011</u></u>

Department of Transportation-Federal Highway Administration:

Iowa Department of Transportation:

Planning Joint Participation Agreement To Implement Regional Intermogal Planning	20.205	FHWA SPR 14RPA-12	\$ 31,342
Planning Joint Participation Agreement To Implement Regional Intermogal Planning	20.205	FHWA STP 14RPA-12	<u>62,138</u>
			<u>93,480</u>
Capital Investment Assistance	20.500	04-0117-120-12	<u>6,449</u>
Planning Joint Participation Agreement To Implement Regional Intermogal Planning	20.509	FTA-5311 14RPA-12	31,631
Non-Urban Capital Operating Assistance	20.509	85-X030-120-12	2,955
Non-Urban Capital Operating Assistance	20.509	85-X030-120-09	24,205
RTAP Fellowship	20.509	TF140351/TF14134	1,528
Operating Assistance	20.509	18-0031-120-14	580,292
Non-Urban Operating Assistance Project	20.509	85-X033-120-14	<u>46,922</u>
			<u>687,533</u>
Total			\$ <u><u>787,462</u></u>

Department of Health & Human Services-Administration for Children and Families:

Iowa Department of Human Services

Community Partnerships For Protecting Children	93.556	DCAT 1-14-080	<u>50,054</u>
Total			\$ <u><u>50,054</u></u>

REGION XII COUNCIL OF GOVERNMENTS, INC.  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)  
 FOR THE YEAR ENDED JUNE 30, 2014

Agency and Office:			
Recipient State Agency:			
Sub-recipient of State Funds:			
Program Title:			
<b><u>Federal Indirect:</u></b>	<u>CFDA #</u>	<u>Program Or Grant Number</u>	<u>Total Expenditures</u>
<u>Department of Homeland Security:</u>			
<u>Iowa Homeland Security &amp; Emergency Management Division:</u>			
Hazard Mitigation Grant			
Audubon County	97.039	DR-1763-0179-01	\$ 1,499
Carroll County	97.039	DR-1763-0180-01	8,777
Crawford County	97.039	DR-1763-0181-01	6,277
Greene County	97.039	DR-1763-0182-01	1,907
Guthrie County	97.039	DR-1763-0183-01	2,219
Sac County	97.039	DR-1763-0184-01	<u>6,307</u>
Total			<u>26,986</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ <u>2,058,078</u>

Basis of Presentation: The Schedule of Expenditures of Federal Awards includes the federal grant activity of Region XII Council of Governments, Inc., and is presented on the accrual basis of accounting. The information on this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

# John D. Morrow

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November 12, 2014

## RTS CERTIFICATION BY INDEPENDENT AUDITOR

To the Board of Directors  
Region XII Council of Governments, Inc.  
Carroll, Iowa

I have audited the contracting opportunities and Disadvantaged Business Enterprise and Women Business Enterprise participation summary of Region XII Council of Governments, Inc. (Transit System). My audit of the report details included tests of accounting records, purchase orders, and contracts issued to Disadvantaged Business Enterprise and Women Business Enterprise firms as we considered necessary to verify that the information reported corresponds with the transit system's financial statements and other official documentation. It was not within the scope of my audit to make any assurances about the eligibility of any firm to be certified as a Disadvantage Business Enterprise or Women Business Enterprise, since the Iowa Department of Transportation assumes this responsibility. Tests were conducted to assure that this information fairly reflects the transit system's efforts to comply with Section 105(f) and Subpart D of the Surface Transportation Assistance Act of 1982.

The tests of accounting records and inquiries with management indicated that effort is made to identify Disadvantaged Business Enterprises and Women Business Enterprise. Management has procedures which identify current vendors as eligible to be certified as a Disadvantaged Business Enterprise and Women Business Enterprise.

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November 12, 2014

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL  
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER  
MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH GOVERNMENTAL AUDITING STANDARDS

To the Board of Directors  
Region XII Council of Governments, Inc.  
Carroll, Iowa

I have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities of Region XII Council of Governments, Inc., as of and for the year ended June 30, 2014, related notes to the financial statements, which collectively comprise Region XII Council of Governments, Inc.'s basic financial statements, and have issued my report thereon dated November 12, 2014.

**Internal Control Over Financial Reporting**

In planning and performing my audit of the financial statements, I considered Region XII Council of Governments, Inc.'s internal control over financial reporting to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Region XII Council of Governments, Inc.'s internal control. Accordingly, I do not express an opinion on the effectiveness of Region XII Council of Governments, Inc.'s internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Region XII Development Corporation, Inc.'s financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.



My consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during the audit, I did not identify any deficiencies in internal control that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

#### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Region XII Council of Governments, Inc.'s financial statements are free from material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

#### **Purpose of this Report**

The purpose of this report is solely to describe the scope of my testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*John D. Morrow*

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November 12, 2014

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM;  
REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON THE SCHEDULE OF  
EXPENDITURES OF FEDERAL AWARDS REQUIRED BY OMB CIRCULAR A-133

To the Board of Directors  
Region XII Council of Governments, Inc.  
Carroll, Iowa

**Report on Compliance for Each Major Federal Program**

I have audited Region XII Council of Governments, Inc.'s compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Region XII Council of Governments, Inc.'s major federal programs for the year ended June 30, 2014. Region XII Council of Governments, Inc.'s major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

**Management's Responsibility**

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

**Auditor's Responsibility**

My responsibility is to express an opinion on compliance for each of Region XII Council of Governments, Inc.'s major federal programs based on my audit of the types of compliance requirements referred to above. I conducted my audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Region XII Council of Governments, Inc.'s compliance with those requirements and performing such other procedures as I considered necessary in the circumstances.

I believe that my audit provides a reasonable basis for my opinion on compliance for each major federal program. However, my audit does not provide a legal determination of Region XII Council of Governments, Inc.'s compliance.

### **Opinion on Each Major Federal Program**

In my opinion, Region XII Council of Governments, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the years ended June 30, 2014.

### **Internal Control Over Compliance**

Management of Region XII Council of Governments, Inc. is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing my audit of compliance, I considered Region XII Council of Governments, Inc.'s internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, I do not express an opinion on the effectiveness of Region XII Council of Governments, Inc.'s internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

My consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. I did not identify any deficiencies in internal control over compliance that I consider to be material weaknesses. However material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of my testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

**Report on Schedule of Expenditures of Federal Awards Required by  
OMB Circular A-133**

I have audited the financial statements of Region XII Council of Governments, Inc. as of and for the years ended June 30, 2014, and have issued my report thereon dated November 12, 2014, which contained an unmodified opinion on those financial statements. My audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

REGION XII COUNCIL OF GOVERNMENTS, INC.  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2014

Part I: Summary of the Auditor's Results

Financial Statements

Type of auditor's report issued:	Unqualified
Internal control over financial reporting:	
Material weakness(es) identified?	No matters were reported
Reportable condition(s) identified not considered to be material weaknesses?	No matters were reported
Non-compliance material to financial statements noted?	No matters were reported

Federal Awards

Internal control over major programs:	
Material weakness(es) identified?	No matters were reported
Reportable condition(s) identified not considered to be material weaknesses?	No matters were reported
Type of auditor's report issued on compliance for major programs:	Unqualified
Any audit findings disclosed that are required to be reported in accordance with Circular A-133. Section .510(a)?	No matters were reported
Identification of major programs:	
Department of Housing and Urban Development	14.228
Department of Transportation	20.205 - 20.509
Dollar threshold used to distinguish between Type A and Type B programs:	\$ 300,000
Auditee qualified as low risk.	

Part II: Findings relating to the financial statements which are required to be reported in accordance with Governmental Auditing Standards.

No matters were reported

Part III: Findings and questioned costs for Federal Awards which shall include audit findings as defined in OMB Circular A-133.

No matters were reported

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